

United States Department of Agriculture



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*Helping People
Help the Land*

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MINNESOTA BULLETIN NO. 300-7-4

SUBJECT: IRS RULING ON THE CONSERVATION SECURITY PROGRAM

Purpose. To provide clarification on the IRS ruling regarding CSP.

Expiration Date. September 30, 2007

On September 25, 2006, the Internal Revenue Service (IRS) released clarification on the rules regarding the Conservation Security Program (CSP) payments. As defined by IRS, CSP is a small watershed program. Furthermore IRS has determined that some CSP payments are eligible for exclusion from a producer's gross income. The following information is clarified further in National Bulletin 300-7-3, which is found at http://policy.nrcs.usda.gov/scripts/lpsiis.dll/NB/NB_300_7_3.htm.

In summary this ruling has determined that;

- Existing practice payments and new practice cost share payments are both eligible for exclusion from gross income.
- Stewardship payments and enhancement payments are NOT excludable from gross income.

NRCS employees are not responsible to provide and should not offer CSP participants advice on their income tax reports or personal accounting. The Internal Revenue Service (IRS) Ruling on CSP Payments talking points, as reference in National Bulletin 300-7-3 are located on the NRCS website on the CSP webpage. The talking points can be found at the following link: http://www.nrcs.usda.gov/programs/csp/pdf_files/IRS_Ruling.pdf.

The talking points should be distributed to participants and others who inquire about the tax implications of CSP

NRCS does not have additional contacts where participants with tax questions may be directed. . It is solely the CSP participant's responsibility to work with their tax advisor to decide how to report CSP payments.

WILLIAM HUNT
State Conservationist

Attachment

DIST: Assistant State Conservationists for Field Operations
Area Resource Conservationists
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